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DISENTANGLING EUROPE: AN ASSESSMENT OF THE IMPACT OF THE EU ON PARTY SYSTEMS IN MEMBER STATES

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SUMMARY

In many ways, the process of Europeanization has been running parallel to other processes, most prominently, that of globalization. While it appears that many of the changes, we see in the political landscapes of the member states can be attributed to the impact of the EU, it may also be the case that these are brought about by increased economic interdependence. The rise in popularity of niche parties and a hollowing out of alternatives with regard to economic policies are two of the most prominent effects that are found to be correlated with an increased participation in European integration. In this paper, I am assessing these claims against the alternative hypothesis, which places the causal power with globalization in general, rather than the integration specific to Europe. By employing matching techniques, I am providing a cleared picture of the dependence of the above mentioned domestic political outcomes on the parallel and often confounding processes of Europeanization and globalization.

KEY WORDS: Europeanization, globalization, EU integration, party systems, party polarization, party fractionalization

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European Union is a large enough factor to be able to influence the calculus of rational actors, and yet, the evidence of impact on domestic politics is mixed. More specifically, the party systems of the EU member states ought to be the institutions most likely affected by increase in breadth and depth of European integration. The EU adds a qualitatively different characteristic to the process of integration its members are going through. The single market that is being created is in part an extension of the liberalization process, something that has been present across the globe, as countries increasingly open up and take part in the global economy. However, the segment that makes European integration qualitatively different is found in the extensive set of institutions that govern and regulate the single market, that add layers of supra-national representation to the citizens, and that transfer power and sovereignty away from the nation states, and into the hands of the European institutions.

However, European countries are not just taking part in the process of regional integration but are often at the forefront of attempts at global integration. If one is to discern the effects that the EU has on politics in the member states, one ought to also make sure that these are not confounded with the effects of globalization. In this paper, I examine two features of domestic party systems, party system fractionalization, and its polarization. The former concerns the number and relevance of political parties that are represented in parliament, while the other concerns the policy distance between the major parties.

Below, I discuss the use of matching in order to create a dataset of country-year cases which includes democracies that are similar in wealth and political institutionalization, but which include European countries and non-European countries. This is done so that the European cases can be compared to similar countries outside Europe and therefore outside the EU's immediate influence. I show the process of matching European and non-European cases on these two criteria and continue with regression analysis to determine whether the effects of Europeanization differ from those of globalization.

My argument is that the process of European integration has an effect that extends beyond modernization and globalization, and that it has produced significant effects in the member states, and more specifically, in their party systems. These processes have simultaneously added and removed issues from the political menus parties and voters can choose from. For example, monetary policy has been transferred into the hands of the European Central Bank for the Eurozone countries and all EU members have relinquished control over trade agreements to the European Commission. This changes the menu of options that are available to the governments, and to the political parties that are in government or seek to be

in government. Additionally, their ability to campaign on issues that are no longer in their remit is restricted, as any promises related to policy areas that are no longer (solely) in the hands of national governments are no longer credible. While both globalization and Europeanization (i.e. the effect of the EU on the member states) alter the menu of options for political parties that seek to be credible (or at least seek to shield themselves from the accusation that they are not credible), European integration takes the matter further than is the case for most comparable countries, which ought to be reflected in the ways that the political parties and consequently, the party systems, respond to the opportunities and pressures of European integration and globalization, respectively

1. EUROPEANIZATION OR GLOBALIZATION?

While the process of European integration is a multidimensional one, by far the most prominent of its segments has been economic integration. This is the area of integration that many see first-hand, predominantly reflected in the existence of the Economic and Monetary Union and a common currency, but also in the removal of tariffs, ability to move across borders for work, and in the relative equalization of standards for goods and services across all member states. The movement of capital across national borders remains less visible to most but is nevertheless a crucial element of European integration. The general understanding is that the EU is one of the great institutional achievements of our time, and yet much of its practical implications are fairly similar to those experienced by the rest of the globalized world. At the core of the European project lie the four freedoms: free movement of goods, services, capital and labor. In a global economy, it is not just the EU that is dropping the barriers to free movement of these four factors of production. The World Trade Organization has contributed to a global lowering of tariffs among its members, and the policies of the International Monetary Fund and the World Bank have contributed to the opening up of the capital markets and institutionalization of independent central banking across the world. On top of these rather obvious suspects in globalization, there is a whole “spaghetti bowl” of regional, multilateral, and bilateral trade organizations/treaties, and a multitude of bilateral investment treaties. Capital moves quite successfully across borders, in the form of large investments, and in the form of small but numerous remittances sent by migrant workers to their families.

The existing research finds that there is some effect of globalization on domestic politics but does not go into a discussion concerning the effect of “Europe” on top of it. Kayser (2009) used political and economic indicators from the Eurobarometer surveys to show that there is indeed such a thing as a “partisan wave” in a particular region. For Europe, these partisan

waves were found to be dependent on the international business cycle that similarly affected the analyzed countries. Hellwig (2014) discusses the ways in which globalization, more specifically, economic globalization, affects domestic politics, and political representation and sovereignty in particular. Similarly, Hellwig and Ezrow (2014) suggest that “just as globalization puts pressure on [government] actions, [they] maintain that it also complicates party competition”. While these findings refute the null hypothesis of no outside influence on domestic politics, they do not disentangle the effects of regional integration from those of globalization. Following a similar argument, Colantone and Stanig (2018b) and Colantone and Stanig (2018a) show that the effects of exposure to international trade, specifically to import competition from China, can have grave consequences for national politics.

In the most abstract sense, the main tenets of European integration look quite like what the rest of the world is experiencing: opening up of markets, increased freedom of movement for goods, services, capital, and labour, and adoption of global standards¹ in various industries, and proliferation of similar institutional features in regulation of markets (e.g. see Bernhard (2002) regarding the spread of the institution of the independent central bank). How is European integration different from what everyone else is experiencing? The difference is both qualitative and quantitative: the EU does more of liberalization of markets across the borders of its member states, and it engages in types of integration that do not exist elsewhere. For example, while the WTO rounds have brought tariffs to record lows, they have not yet been eliminated from global trade. In that sense, European integration is quantitatively different from globalization. While the reduction of tariffs is important for easing global trade, it does little to eliminate non – tariff barriers to trade, in the form of market regulation, differing technical standards, and a plethora of health and safety standards. The EU, however, deals with all of these, and more which makes European integration qualitatively different from the processes of globalization. These are, of course, just the simplest examples of the differences between globalization and European integration. The EU does so much more than allow for a single market for goods among its 28 members. It has created a layer of institutions at the supranational level, and in the process shifted the decision-making power in numerous policy areas to this supranational level. While the debate on the success or failure of its democratic institutions continues, their very existence distinguishes the EU from all other attempts at integration, making the project unique in scope and level of success.

1 For various arguments on the mechanisms through which (economic) globalization affects domestic politics, see Kayser (2007).

For the Europeanization literature, the ability of the EU to affect domestic politics seems self-evident. The research questions then become those of mechanisms and magnitude of these effects. Numerous authors have noted the rise of fringe parties as a function of European integration (Mudde, 2007; Meguld, 2010; Art, 2007, 2011; McGann, 2005), and recent events surrounding the crisis of the common currency suggest that the success of governments and outcomes of elections depend more and more on the way European integration is perceived by voters and addressed by politicians and political parties (De Vries and Edwards, 2009; De Vries, 2010; Schoen, 2008; Jolly, 2007). This literature has been rather successful at showing that there is in fact a large degree of connectedness between the European and the domestic levels. Thus Schoen (2008) shows that the decisions voters made in German elections had been influenced by their views on Turkey's accession to the EU, and Tillman (2004) finds that the decisions in national elections in Finland, Sweden and Austria at the time of their EU accession had been affected by the accession process. Caramani et al. (2011) show that there has indeed been some convergence across European party systems, while Nanou (2013) show the European integration has had an impact on the incidence of Euroscepticism. Similarly, Dorussen and Nanou (2006) demonstrate that there has been Europeanization of party policy across borders of nation states.

All these processes provide both constraints and opportunities for political actors. Europeanization, however, also provides opportunities for political entrepreneurs to engage with and on an additional level of government. Additionally, the visibility and prominence of the EU made it a more easily identifiable part of the political structure. One of the opportunities that arose for political parties was the ability to present the process of integration to the voters, an opportunity that they in fact misused, by often treating the EU as a scapegoat for failed policies, and not giving it credit when it was due. Mair (1999) notes that the parties have reduced the choice for the voters by mixing the messages about what arenas of competition are appropriate for particular grievances: the protest against national governments and policies, and the extent of European integration became issues in EP elections. Both of these, Mair argues, ought to have been directed at national governments that have a say in the process of furthering integration and that can be "kicked out" in national elections. Another instance of European integration providing opportunities to political actors in member states is found by Somer-Topcu and Zar (2013), whose research indicates that EP elections have an effect on political parties' calculus in the national election. Parties do use EP election results as sources of information on how much policy-change they are to adopt in the run up to the national elections. European integration has

thus provided political parties with an additional source of information, and an additional arena for competition (and perks).

How should we think about the effect of taking part in European integration on the domestic politics in the member states? I argue that European integration affects the calculus of both parties and voters. On the one hand, it removes a substantial portion of political issues to the supranational legislative level or places important decisions in the hands of independent bodies. An example of the former is market regulation in various economic sectors – the matters once decided by member state parliaments are now decided in the EU's ordinary legislative procedure. Regarding the latter, one ought only to look at monetary policy that is in the hands of the European Central Bank, or trade policy, which is negotiated by the European Commission for the whole of EU, on behalf of the member states. This, I argue, following Mair (2014), leads to a hollowing out of political competition on the traditional left-right dimensions. The maneuvering space for governments is reduced, as is the space within which the opposition may form credible alternatives. If there is one effect that we ought to expect from European integration, it is the reduction in polarization, as the options before political actors diminish.

European integration has indeed become an everyday issue in political news in each of the member states. As argued by Hooghe and Marks (2009), this is no longer an area in which political elites can do as they please, and is instead becoming an area of fierce competition. At the very least, European integration ought to be leading to an increase in party system fractionalization and number of political parties because challengers should be pointing out that Europe is a contested issue, and voters could well be recognizing it as such. This is also what a glance at European newspapers may suggest: new contenders placing the EU at the forefront of their grievances, as seen in the UK by UKIP and the Brexit Party, in Italy by the Five Star Movement and the League, in Greece by Syriza, in France by the National Front. However, there may also be an effect of the shifting of party competition. If the traditional left-right is getting narrower, other issues may become salient as parties seek a niche they can use to appeal to voters. Finally, there should also be an effect of the EU on the increase in success of sub-national and ethnoregionalist parties, as argued by Jolly (2007, 2015) and Hajer (2011). These too should be contributing to an increase in fractionalization in countries taking part in European integration.

H1: As a country's embeddedness in the process of European integration increases, the polarization on the issues that are part of the left-right dimension will be decreasing.

H2: The number of parties and party system fractionalization in the member states of the EU will be increasing as the process of European integration progresses.

Essentially, I expect that the various elements of European integration would be statistically significant and negative in the case of polarization, positive in the case of fractionalization.

The literatures on globalization and Europeanization both offer explanations and claim significant effects of their relevant independent variables on political outcomes within the borders of nation states. While it is plausible that both Europeanization and globalization are relevant, it is worthwhile knowing whether these processes have any differing effects at the systemic level of a democratic polity. From a Europeanist's point of view the issue becomes that of testing whether European integration has an effect on domestic politics that is independent of globalization. The following section discusses the methodological challenges and a proposed solution for testing these hypotheses.

2. DATA AND MODELING STRATEGY

The study of Europeanization is certainly an area of political science where many of our problems in research design come to the fore. To an ever greater extent, the problem of Europeanization's effects is becoming an "N of 1" problem. The EU has continuously been in the process of expansion and is now either encompassing or very closely cooperating with nearly all of the European countries. The cases of European democracies that have nothing, or at least very little to do with the EU are non-existent. Countries that are not members typically have strong economic and political ties with the EU. Norway and Switzerland, for example, are part of the European Economic Area, and are implementing many of EU's policies without seeking membership. Countries such as Serbia or Macedonia are actively engaged in becoming members. Even the European micro-states take part: Vatican, Monaco, San Marino all take part in the EMU. No matter where one looks, the EU is at least in part active. For democracies in Europe, there is no escaping the EU.

This is a set of serious research design problems. First, with the EU's great involvement in integration of Europe, there is no control group that would allow the testing of any theory regarding the effects of the EU. Looking at the treatment group only means that we may find correlation at best, an educated guess at worst, but cannot get any closer to a convincing causal argument. Related to that, any explanation is potentially harboring spuriousness. Whatever we may be seeing as regularities in European countries may well have its source in something completely different (like, globalization, or modernization, processes that European democracies are certainly parts of).

Empirically disentangling Europeanization and globalization is not straightforward and to a great extent, the two phenomena have the same

observable implications. For example, when we observe change on the measure of trade dependence (trade as proportion of GDP) in an EU member state, we know that this country's economy is now more integrated with other economies, but it is hard to tell whether this is a result of globalization (for example, due to new trade deal that the EU has made) or a result of Europeanization (due to ease of commercial exchange between European countries). This is further complicated by the difficulties in separating the export and import from various countries due to the application of rules of origin, making the changes in imports from and exports to particular groups of countries a problematic measure. To illustrate: if an EU company is able to assemble a product, sell it in another EU country, it may be simultaneously benefitting from both the globalized market (e.g. for a component made in China which has a small enough added value for it to not change the status of the final product as EU-made) and the ability to sell the completed items in the EU's single market. Some potential for disentangling the effects exists at sub-national level, where a more finely grained analysis can be conducted, as for example, in Colantone and Stanig (2018a) piece that showed that those areas of the UK where there was greater competition to local industries from Chinese imports were also the areas where the proportion of voters that voted to leave the EU was higher.

What one is interested in is whether a variation on the independent variable correlates in the variation on the dependent variable. For most European countries, the variation on the main independent variables (those related to European integration) never includes the possibility of complete isolation from European integration. Most European democracies are either EU member states or are very closely integrated with the EU (such as the examples of Norway or Switzerland, or countries that are part of the accession process, such as Serbia or North Macedonia). Therefore, in any of them, separating a measure of Europeanization from that of globalization becomes a difficult task. For an adequate test of Europeanization's influence on party system indicators, one may envisage a set of countries that are Europe-like in terms of democracy and development (which also tends to correlate with a level of globalization), but not integrated with EU's many systems of cooperation. When such countries are included, one may see whether European integration is really what separates the European countries from those which are similar. Globalization and Europeanization work in the same direction, but if Europeanization is truly different from globalization, its effects should be clearly seen when European countries are compared with similarly globalizing wealthy democracies. Non-European wealthy democracies are true instances of zero on the Europeanization measures and as such provide cases that contribute to meaningful

variation on the independent variables but are limited so that they may be truly comparable.

The issue is simply that, if testing the hypothesis on European cases alone, one may find a correlation between European integration-related variables and the party system-related dependent variables. However, as European integration is happening alongside globalization, and through some same mechanisms (such as increased pressures from exposure to trade competition), it becomes difficult to say whether the effect of the EU is what is being seen, or just the effect of globalization manifested in the EU-related variables. Given the EU's wide-ranging trade deals and general openness to the global economy, the most Europeanized among the European democracies are also the most globalized. Luckily (or unfortunately, depending on one's criteria for assessment), we are unable to impose laboratory conditions on countries and afflict one set with integration while the control group remains untouched by the same process. One of the most prominent and popular quasi-experimental approaches in political science in regression discontinuity design (Angrist, 2009) is impossible to implement, first due to limits of available data, and because the "treatment" of integration engulfs all European democracies in one way or another. The only cases that are not in any way attached to the EU are also those that are completely uninteresting from a point of view of competitive democratic politics (e.g. Belarus).

The promise of the matching techniques is that it enables us to look beyond the narrow confines of Europe and maybe find cases that are similar enough to the European ones but have not been exposed to integration in the same way or the same extent that the European countries have been. These matched cases may then play the part of the "control group". In this paper, I use matching as a way to create a coarse quasi-experimental set of country-cases that are all democracies of a certain level of development, with the aim of discerning the extent to which the two domestic systemic outcomes I am interested in, fractionalization and polarization, are affected by European integration, as opposed to globalization. Matching is, in essence, comparable to the qualitative approach of selecting most similar cases (Nielsen, 2016). In making the choice to rely on matching European countries with similar non-EU countries, I am following the advice on disentangling the effects of the EU proposed by Haverland (2006) and Nielsen (2016).

There is some debate about the proper way to utilize the matching procedure, and here I am following the advice provided by Ho et al. (2011) and Gelman and Hill (2006), and using matching as a first step before undertaking a well-known and relatively simple regression analysis. The results ought to be considered tentative, as the matching procedure is

certainly not panacea for the problems of research design utilizing observational data. Indeed, Arceneaux et al. (2006) show that matching alone, applied to data on voter mobilization, provides biased estimates that perform no better than a simple OLS. However, they use matching to compare the randomly selected observations from the treatment group with the randomly selected observations from the control group, and do not use the resulting data in further analyses.

The data for this paper come from a new archive compiled and collected by Graham and Tucker (2017). This International Political Economy Data Resource (IPEDR) compiles data from the most commonly used 51 existing global country-year datasets and provides a single data source, reducing the potential for errors in merging data for individual projects and increasing the ease of including new or alternative measures in statistical analyses. Graham and Tucker (2017) note that the specific benefit of this new resource is that it allows a greater ease of including alternative measures for some of the most commonly used variables.

In this paper, I am using only a small subset of the IPEDR. Two main criteria were used for selecting cases: time and democratic status. Since the paper concerns the problems of Europeanization and globalization, I have selected the year 1979 as the starting year. There are two main reasons why this year is a good breaking point. First, it is the year of the first direct elections of members of the European Parliament, signifying a shift in the relevance of the EU for both parties and voters. Prior to that year, European integration was truly just a matter of elite politics. Second, in 1979 the global economy is already *en route* to further liberalizations, after the breakdown of the Bretton Woods currency system in 1973 and the subsequent oil crises. Furthermore, some of the starkest examples of globalizing economy affecting particular countries take place after the 1970s: monetary policy turn in the US, the French U-turn of the 1980s, and the debt crises of the 1980s. All of these are precursors to the series of debt and currency crises that have been demonstrating the power that shifts in the global economy have over nation states.

The second selection criterion is somewhat more straightforward. Since the dependent variables I am interested in are features of party systems, countries that are not democracies and thus do not have party competition and as a result, do not have party systems either, simply fall out of the universe of relevant cases. The variable used to subset the data was the country's Polity score: only those with a score of 6 or more remained in the sample. Subsetting the data on these criteria yielded a dataset with 1853 observations. The two dependent variables come from the Database of Political institutions (DPI) (Beck and Katz 2001). The first one, legislative fractionalization, varies between a theoretical minimum of 0 and a

theoretical maximum of 1. The measure indicates the probability that two randomly selected members of the relevant legislative body are **not** from the same political party. Thus, a legislative body in which all members come from the same party would receive a score of zero, and that in which all members come from different parties would receive a score of one. The actual data occupy the space between these two extremes.

While the fractionalization measure is relatively non-controversial, the other variable I consider in this paper has provoked more debate. Polarization, or the extent to which the policy prescriptions of the major parties in a party system differ, may be measured in various ways. The DPI approach is very simple, as it only notes whether the executive is on the left (score of 3), right (score of 1), or in the political center (score of 2) and does the same for the main opposition party. All of these are related to the economic left – right dimension, and do not take into account the potential for the parties to differ on other issues. The polarization score is simply the difference between the executive and opposition's scores. While truly simple and straightforward, this measure may be obscuring the differences among parties, and the scale and extent of these differences. However, the DPI codebook notes a relatively high degree of agreement with the data by Huber and Inglehart (1995).²

I have opted against using the Chapel Hill Expert Survey (CHES) (Bakker et al. 2015) data in the paper. This dataset provides detailed data on party positions, and can be used to calculate polarization scores similar to the Comparative Manifesto Project (CMP) (Volkens et al. 2015) data. Given the design of this paper, I chose to rely on variables found in the Database of Political Institutions (Beck et al. 2001). While the CHES and CMP provide detailed data, they do not have the scope needed to address the countries in the matched dataset: CHES only starts in 1999, and covers European countries only; the CMP data stretch back for a longer period of time, but primarily focus on European countries, with some availability of OECD countries and Latin America. The design of this paper focused on including non-European countries in order to test whether the party

2 This choice of the dependent variable in the polarization model is somewhat controversial, with the alternative provided by Dalton (2008) being the most likely contender to replace the used measure. This measure is based on the right-left measure provided in the Manifesto Project dataset (Volkens et al. 2015). Gabel and Huber (2000) noted that pooling left-right data by country is problematic when calculating and correcting individual party scores – since the Dalton (2008) measure of polarization does the same by adding up the thus corrected party scores, this issue may appear in his measure. Furthermore, by taking into account the party vote shares, it also introduces an element of the other measures used in the model, those of fractionalization and Herfindahl indexes, thus increasing collinearity of the left and right hand sides of the regression equations. The existing DPI variable is chosen with all these controversies in mind, and is used mostly because it performs well when compared with the Huber and Inglehart data.

system outcomes in question are present in cases of countries that are similar to European ones in terms of wealth and level of democracy, but which are not found in Europe. The DPI provided less granular data, but encompassing more countries and a longer time period. Additionally, the fractionalization measure as available in the DPI is consistently measured across country cases. The Laakso and Taagepera (1979) measure of effective number of parties is reliably available for the countries encompassed by the CMP dataset, and I include results of a model of Europeanization effect on this measure to show that, over a longer period of time, Europeanization does make a difference for the manner in which party systems function (see appendix, Table 7). This model considers European cases only, as the effective number of parties measure could not be reliably sourced for the matched dataset used in this paper.

The independent variables are organized in three groups: the main variables of interest, concerning Europeanization and globalization; institutional variables; economic and social variables. As was the case with the dependent variables, all come from the IPEDR or the author's own coding.

EU membership does not mean the same thing for different EU countries, which is why I use several dummies to grasp at least some of the multi-dimensional nature of being an EU member. It is likely that EU membership without participation in the EU's most prominent projects, like the Economic and Monetary Union or the Schengen area, is not affecting the country as deeply as participation in the latter does. Similarly, one may expect the "original" six member states to be more deeply embedded in integration than the countries that have just recently joined.

The party system age variable accounts for the average age of political parties in the legislature and comes from the DPI dataset. While it is the case that there is significant variation across individual parties, and some old parties tend to consistently do poorly while new parties capture significant shares of votes immediately upon establishment, this variable is aimed at capturing the overall legislature and the potential for the knowledge and experience to be transferred across political generations. This is relevant for the manner in which the party system can deal with the pressures and opportunities of both European integration and globalization. This is an imperfect measure, as it may misrepresent the extent to which political elites cycle from older to newer parties. However, it does capture the upheaval of newer parties joining the scene, even if their legislators have already been on the political scene for a longer time.

The other variables of interest concern globalization. Trade dependence captures a country's participation in the global economy and the potential for pressures that stem from it, as it measures the proportion of GDP

that total trade (imports+exports) takes up in a given year. However, trade alone does not capture these economic pressures, so I am also including a test for the relevance of currency crises in affecting domestic political outcomes. While a country can be part of the global economy without suffering a currency crisis, if one should occur, there would be no doubt about the process of globalization affecting the national economy, and subsequently national politics.

The remaining variables are institutional and economic controls and are listed in the table below. Several of these deserve more attention. GDP per capita is a standard measure that (imperfectly) captures the level of wealth in a country. While there is no necessity in the relationship between political outcomes and wealth, the level of wealth does make a difference in how countries are dealing with the pressures and opportunities provided by their participation in the global economy. For example, Wibbels (2006) finds that there is a difference in how wealthy countries endure global crises: they are able to borrow in difficult times, which provides them with a cushion against social and political upheaval. When poorer countries are faced with a crisis, their borrowing costs are higher, which leads them to resort to spending cuts, often in areas related to social welfare. Thus, accounting for wealth and currency crises allows one to control for the ability of the party system to compensate for pressures and to account for the presence of such pressures. The dummy variable for whether a country was considered rich in 2009 aims to account for the overall path that a country has taken in the global economy – i.e., it accounts for whether a country is a clear beneficiary of the process of globalization. The choice of year captures the point at which the financial crisis that started in 2008 would have affected countries that were on the cusp of being considered wealthy but suffered a setback as a result of the crisis.

Table 1. List of variables, their sources and measures

Variable	Source	Measure
Polarization	Database of Political institutions	distance between party in power and main opposition p.
Fractionalization	Database of Political institutions	probability of randomly selecting 2 MPs from different parties
Europe	own coding	dummy variable, 1 if country is in Europe
Euro	own coding	dummy variable, 1 if country is part of EMU
Membership length	own coding	number of years country has been in the EU
EU member	own coding	dummy variable, 1 if country is a member of the EU
Schengen	own coding	dummy variable, 1 if country is part of the Schengen Area
Trade	World Bank	trade as % of GDP
Currency crisis	Laeven Valencia financial crises data	Existence of currency crisis in a given year
Party age	Database of Political institutions	Average age of main political parties
Government stability	International Country Risk Guide	0-12 score on index including government unity, legislative Strength, popular Support
Electoral threshold	Database of Political institutions	proportion of votes necessary for a party to gain representation
Proportional representation	Database of Political institutions	dummy, 1 if country has some form of proportional rep. electoral system
Rich in 2009	IPEDR	dummy variable, 1 if country was considered rich in 2009
GDP per capita	World Bank	GDP per capita in USD
Inflation	World Bank	annual increase in consumer prices, in %

Matching is certainly not a definitive solution for the methodological issues that arise in this case. It is, however, one of many potential parts of a multi-pronged consideration of a research problem, which may lead to an increase in confidence in one's results. Here, matching is conducted in R, using the "MatchIt" package by Ho et al. (2011). Given the nature of the data, exact matching was not an option, as it was unlikely that there would be any cases that exactly match those of the European democracies. Instead, "genetic" matching was used, a procedure that uses "a genetic search algorithm to find a set of weights for each covariate such that the version of optimal balance is achieved after matching." (Ho et al. 2011, 12) This procedure matches the cases with replacement, so it should be noted that some country-years may appear more than once in the data.

Two major issues arose in implementation of matching on the original dataset. The first one was that matching required a complete dataset. There are two solutions to the problem: either match on the variables that are both relevant and complete or use multiple imputation to complete the entire dataset. As will be seen below, I used both, with little effect on the results of the regressions. The second issue was that the nature of cases (country-years) makes it difficult to find similar pairs in the "treatment" and "control" groups, reducing the size of the matched dataset with each additional variable that the countries are matched on. A tentative solution to this problem is using only two key variables to match on and adding the remainder of variables of interest in the regression portion of analysis.

The cases were matched on two major criteria: GDP per capita and average age of major parties. These would be core features that countries would really need to be similar to the European countries on, and were the only ones finally chosen to stay part of the procedure. Inclusion of more variables drastically reduced sample size, and all the results and data presented below were created using matching on two variables. Since the core of the problem at hand is that countries that are similar to the European ones are not very numerous, I used the "Europe" dummy as the treatment. The matching program, thus, looked for European and non-European cases that are similar in terms of GDP per capita and average party age. The process created a dataset that included country-years from Europe and outside it, and provided increased balance between the "treatment" and "control" groups.³ The list of countries that are included in the analysis can be found in the Appendix.

Missing data pose another challenge for analyses of time-series cross-section data. In this particular case, the proportion of missing data was

³ The Q-Q plot of the variables that the data were matched on is in the Appendix. It shows that the two groups of country-years still differ quite a bit, but are more similar than prior to the procedure.

not large for the whole dataset, but it did bring about a reduction in the analyzed sample size since each of the variables was missing data in different rows.

In the manual for MatchIt, King et al. (Ho et al. 2011) recommend that the datasets with missing values be completed by using multiple imputation. Following this advice, I used King et al.'s (King et al. 2001) Amelia for R. The imputed data remained similar to the original, and the results of the models using imputation are reported below, not differing substantially from those that used non-imputed data.⁴

The analyses were conducted using simple ordinary least squares regression, unless otherwise noted.

3. RESULTS

In the tables below, two sets of results are presented. First, regressions with polarization and fractionalization as dependent variables that use the matched and incomplete data. Second, the same dependent variables, but utilizing the matched and imputed data.

As expected, the variables concerning European integration are shown to be statistically significantly correlated with the outcomes of interest, fractionalization and polarization. This particularly holds for Eurozone/EMU membership, a finding that is robust to alternative data (imputed and not imputed.) As expected, EMU membership decreases the level of polarization in a given country-year. However, the hypothesis of the opposite effect on fractionalization is not confirmed.⁵ In fact, when compared to non-European countries, EMU membership is correlated with a decrease in fractionalization.

EU membership alone appears as statistically significant in the models with non – imputed data only. Where it reaches statistical significance, this variable “works” in the same way as Eurozone membership does, correlating with depressed polarization and fractionalization. In the alternative specification, the variable has a positive and non – significant effect. If anything, this shows that one ought to be conscious of the possibilities for alternative specifications and robustness tests. The lack of similar effect across the two sets of models,

While the EMU affects both polarization and fractionalization, the results indicate that fractionalization may have more to do with the process of globalization. Both trade dependence and the occurrence of currency

4 The summary statistics for the original data, matched data, and matched and imputed data can be found in the appendix.

5 In an alternative specification of the model, which relies on a Europe-only dataset, the finding is exactly opposite.

crises have a statistically significant effect on fractionalization. This is a result that fits with the idea that globalization and participation in the global economy in particular create both pressures/constraints and opportunities for political actors in democracies. This result indicates that there may indeed be a practical consequence in the creation of viable parties that exploit these constraints and opportunities to get political representation. It appears to be the case that economic globalization and European integration have opposite effects on legislative fractionalization.

It appears that being part of the EMU will not lead to an increase in the probability that two randomly selected members of parliament come from different parties, but trade dependence and a currency crisis might. Since currency crises are relatively rare they may have more fleeting effects, and may be more relevant in conjunction with institutional or other economic variables. This is certainly an issue to explore in future work.

One of the surprises of these models was that taking part in the Schengen area had no discernible effect on either polarization or fractionalization. Since being part of Schengen means that European countries stop conducting border controls among themselves, this ought to be seen as a major blow to the nation-state, and as such could have precipitated challenges to the governments and the existing parties. It would be interesting to see whether future iterations of the data show a change in this result, given the prominence that political parties have been giving to the increased migration flows from Africa and the Middle East over the past several years.

The two sets of models differ quite a bit in terms of the data they cover. The models without data imputation drop from 1085 cases created by the matching procedure to 581 and 652 cases for polarization and fractionalization models, respectively. Ability to keep more of the information in the sample is certainly a plus for the imputed data, and ought to lend a bit more credence to the results obtained from these data.

In terms of total explained variance, all models are around the .2 mark, which is a solid result, given that the models omit much of the domestic context and focus predominantly on the variables concerning the international context. The results in this paper ought to be tested in future work by considering the intricacies and complexities of domestic contexts in specific countries.

Table 2. Models of polarization and fractionalization, matched non-imputed data

	<i>Dependent variable:</i>	
	Polarization	Fractionalization
	<i>OLS</i>	<i>robust linear</i>
	(1)	(2)
Year	0.019*** (0.006)	0.002*** (0.001)
EU member	-0.205** (0.083)	-0.019** (0.008)
Euro	-0.511*** (0.110)	-0.076*** (0.012)
Membership length	0.002 (0.004)	0.0003 (0.0004)
Schengen	0.270 (0.172)	0.010 (0.018)
Rich in 2009	0.691*** (0.126)	-0.0004 (0.013)
GDP/capita	0.00001 (0.00000)	0.00000** (0.00000)
Inflation	0.0001 (0.0002)	-0.00000 (0.00003)
Trade dependence	-0.001 (0.001)	0.0005*** (0.0001)
Currency crisis	0.242 (0.266)	0.046* (0.028)
Government stability	0.041* (0.021)	0.001 (0.002)
Electoral threshold	0.001 (0.013)	0.001 (0.001)
Proportional rep.	-0.097 (0.166)	0.018 (0.022)
Mean party age	0.004** (0.002)	0.0003 (0.0002)
Constant	-37.729*** (11.913)	-3.852*** (1.210)
Observations	581	652
R ²	0.232	
Adjusted R ²	0.213	
Residual Std. Error	0.773 (df = 566)	0.087 (df = 637)
F Statistic	12.205*** (df = 14; 566)	

Note:

*p<0.1; **p<0.05; ***p<0.01

SANJA BADANJAK
 DISENTANGLING EUROPE: AN ASSESSMENT OF THE IMPACT
 OF THE EU ON PARTY SYSTEMS IN MEMBER STATES

Table 3. Models of polarization and fractionalization, matched and imputed data

	<i>Dependent variable:</i>	
	Polarization	Fractionalization
	(1)	(2)
Year	0.010*** (0.003)	0.0004 (0.0004)
EU member	0.014 (0.064)	0.001 (0.007)
Euro	-0.315*** (0.087)	-0.047*** (0.010)
Membership length	0.002 (0.003)	0.0003 (0.0004)
Schengen	0.141 (0.147)	0.010 (0.016)
Rich in 2009	0.466*** (0.097)	0.016 (0.011)
GDP/capita	0.00001*** (0.00000)	0.00000*** (0.00000)
Inflation	-0.0001 (0.0002)	-0.00002 (0.00002)
Trade dependence	-0.0001 (0.001)	0.001*** (0.0001)
Currency crisis	-0.175 (0.187)	0.041** (0.019)
Government stability	0.001 (0.016)	0.0001 (0.002)
Electoral threshold	0.016** (0.007)	0.003*** (0.001)
Proportional rep.	0.779*** (0.077)	0.124*** (0.009)
Party age		-0.0004*** (0.0001)
Constant	-19.243*** (6.863)	-0.364 (0.739)
Observations	1,085	1,085
Residual Std. Error	0.981 (df = 1071)	0.088 (df = 1070)

Note:

*p<0.1; **p<0.05; ***p<0.01

4. DISCUSSION AND FURTHER STEPS

I argue that party systems have indeed been affected by EU's existence and development. European countries have been hit by Europeanization in a way that is in parts not fundamentally different from the way everyone has been hit by globalization. However, they have been affected more intensely, with European integration taking many of elements of globalization and amplifying them.

However, the EU brings with it a new layer of political engagement, and a shift of power and sovereignty to the supranational level that exceeds anything that we see as part of the processes of globalization and modernization. In that sense, regional integration in Europe is producing a distinct set of consequences for domestic politics of countries involved. This is particularly true for party systems, as outcomes of complex stable strategic interactions between parties and voters, and among parties themselves.

Even though the results fail to confirm both hypotheses, the statistically significant effect of EU-related variables on party system features even when accounting for global processes remains a relevant finding. However, the exact opposite of the expected result concerning fractionalization, namely that European integration features contribute to its depression rather than the expected increase, warrant further research. This ought to mean both quantitative work that would challenge and test the robustness of these findings to different measures and specifications, and qualitative work examining the mechanisms through which European integration may be encouraging or discouraging new political actors. This finding may also be resulting from the differences between the European and non-European settings. The matched dataset included some countries that are similar in terms of wealth and level of democracy but have historically had both open economies and low number of political parties (such as the US and Australia). This is a matter that ought to be considered in detailed case studies that account for local contexts, actors, institutions, and the manner in which they interact with pressures (and opportunities) that stem from participation in the global economy.

Perhaps the major issue that needs to be resolved in continuing this line of research is that of measurement. The debate on the polarization measure is still ongoing, with much potential for the use of the various measures proposed here in checking the robustness of this paper's findings. The next step will be to expand an existing measure based on the Manifesto Project data (Volkens et al. 2015) to the countries beyond Europe. This measure offers more variety and nuance than the DPI measure and should also produce a higher level of validity and reliability of the findings.

Finally, in order to ensure that the underlying mechanisms are discernible, these results should be further substantiated in detailed case studies of particular countries, both within and outside Europe.

Even so, these results suggest that there is indeed a difference in the way that European integration, as opposed to globalization, affects democracies at the systemic level. The elements of party systems discussed here, fractionalization and polarization, certainly appear to be affected by the institutional and economic context at the global and regional levels.

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SAŽETAK

KAKO RASPETLJATI EUROPEIZACIJU I GLOBALIZACIJU? PROCJENA UTJECAJA EUROPSKE UNIJE NA STRANAČKE SUSTAVE DRŽAVA ČLANICA

Proces europeizacije se u mnogim aspektima zbivao istovremeno s drugim procesima, poglavito s procesom globalizacije. Iako se čini da upravo Europskoj uniji možemo pripisati promjene kojima svjedočimo u političkim krajolicima država članica, moguće je i da su one posljedica povećane ekonomske međuovisnosti, odnosno globalizacije. Rast popularnosti stranaka novih političkih niša i nepostojanje alternative postojećim ekonomskim politikama dva su najvažnija ishoda koja koreliraju s većom uključenosti države u procese europske integracije. U članku autorica analizira ove tvrdnje suprotstavljajući ih alternativnoj hipotezi da je uzročnik spomenutih promjena globalizacija općenito, a ne integracije koje su specifične samo za Europu. Koristeći tehnike „uparivanja“, autorica daje jasniju sliku povezanosti spomenutih političkih posljedica s istovremenim i često isprepletenim procesima europeizacije i globalizacije.

KLJUČNE RIJEČI: europeizacija, globalizacija, EU integracija, stranački sustavi, stranačka polarizacija, stranačka frakcionalizacija.

APPENDIX: ADDITIONAL TABLES AND GRAPHS

Table 4. Summary statistics for the initial dataset

Statistic	N	Mean	St. Dev.	Min	Max
Fractionalization	1,826	0.660	0.147	0.000	0.930
Year	1,853	1,998.597	8.994	1,980	2,012
Polarization	1,648	0.939	0.930	0	2
Government stability	1,530	7.885	1.785	1.000	11.125
Electoral threshold	1,374	2.518	3.562	0.000	25.000
EU member	1,853	0.287	0.453	0	1
Euro	1,853	0.099	0.299	0	1
Currency crisis	1,556	0.028	0.164	0	1
Rich in 2009	1,853	0.495	0.500	0	1
EU member	1,853	0.066	0.248	0	1
EU membership length	1,853	1.657	7.799	0	59
Schengen	1,853	0.029	0.167	0	1
Eurozone	1,853	0.016	0.126	0	1
GDP/capita	1,853	16,162.050	16,392.040	249.104	86,127.240
Inflation	1,760	26.368	240.749	-4.480	7,481.664
Trade as % GDP	1,849	77.437	42.212	12.009	352.904
Proportional representation	1,841	0.788	0.409	0	1

Table 5. Summary statistics for matched data

Statistic	N	Mean	St. Dev.	Min	Max
Year	1,085	1,998.134	9.161	1,980	2,012
GDP/capita	1,085	23,626.450	16,654.390	570.100	86,127.240
Average party age	1,085	43.154	33.834	1.000	155.000
EU member	1,085	0.496	0.500	0	1
Europe	1,085	0.822	0.383	0	1
Inflation	1,054	20.693	163.997	-4.480	3,373.474
Trade as % of GDP	1,081	85.022	45.697	14.391	352.904
Proportional representation	1,082	0.872	0.334	0	1
Electoral threshold	914	3.286	3.966	0.000	25.000
Fractionalization	1,071	0.693	0.115	0.000	0.927
Polarization	969	1.139	0.904	0	2
Government stability	898	8.130	1.633	1.000	11.083
Currency crisis	923	0.018	0.135	0	1
Rich in 2009	1,085	0.720	0.449	0	1
EU membership length	1,085	2.976	10.273	0	59
Schengen	1,085	0.053	0.223	0	1
Eurozone	1,085	0.029	0.167	0	1

Table 6. Summary statistics for matched and imputed data

Statistic	N	Mean	St. Dev.	Min	Max
Year	1,085	1,998.134	9.161	1,980	2,012
GDP/capita	1,085	23,626.450	16,654.390	570.100	86,127.240
Average party age	1,085	43.154	33.834	1.000	155.000
EU member	1,085	0.496	0.500	0	1
Europe	1,085	0.822	0.383	0	1
Inflation	1,085	23.209	170.462	-449.182	3,373.474
Trade as % of GDP	1,085	85.192	45.718	14.391	352.904
Proportional representation	1,085	0.871	0.336	-0.219	1.300
Electoral threshold	1,085	3.290	3.926	-6.920	25.000
Fractionalization	1,085	0.693	0.115	0.000	1.001
Polarization	1,085	1.150	0.887	-1.529	3.155
Government stability	1,085	8.089	1.659	1.000	12.133
Currency crisis	1,085	0.019	0.137	-0.440	1.000
Rich in 2009	1,085	0.720	0.449	0	1
EU membership length	1,085	2.976	10.273	0	59
Schengen	1,085	0.053	0.223	0	1
Eurozone	1,085	0.029	0.167	0	1

SANJA BADANJAK
 DISENTANGLING EUROPE: AN ASSESSMENT OF THE IMPACT
 OF THE EU ON PARTY SYSTEMS IN MEMBER STATES

Table 7. Effective number of parties model

	<i>Dependent variable:</i>
	Effective N of parties
Year	-0.029 (0.028)
Membership length	0.035*** (0.008)
Schengen	-0.039 (0.376)
Euro	-0.041 (0.404)
Post-Maastricht	-0.268 (0.398)
Proportional representation	1.181*** (0.411)
Rich in 2009	-0.440 (0.409)
GDP/capita	0.00004*** (0.00001)
Inflation	-0.002 (0.001)
Trade dependence	-0.005 (0.003)
Post-communist	1.808*** (0.475)
Currency crisis	0.233 (0.823)
Constant	60.070 (55.284)
Observations	194
R ²	0.200
Adjusted R ²	0.147
Residual Std. Error	1.372 (df = 181)
F Statistic	3.766*** (df = 12; 181)
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01

Figure 1

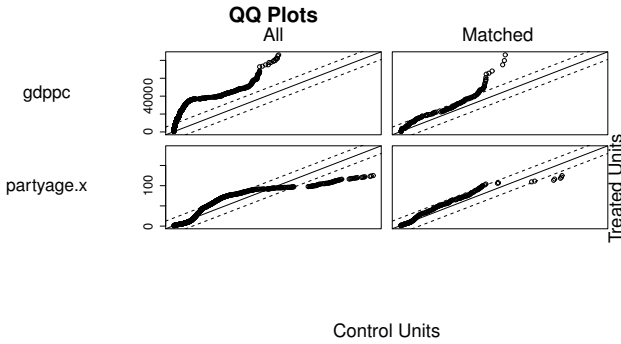


Table 8. Summary statistics for data used for the models in Table 7

Statistic	N	Mean	St. Dev.	Min	Max
Effective N of parties	238	4.129	1.474	1.000	11.072
Polarization (Dalton)	238	1.404	0.726	0.000	3.734
Euro	242	0.157	0.365	0	1
Membership length	242	12.996	18.051	0	59
Schengen	242	0.231	0.423	0	1
Rich in 2009	242	0.736	0.442	0	1
GDP/capita	232	24,135.650	15,914.140	2,457.340	79,002.740
Inflation	222	20.101	87.116	-0.836	1,058.374
Trade	232	82.565	41.156	24.170	303.454
Currency Crisis	228	0.031	0.173	0	1
Proportional representation	220	0.909	0.288	0	1
Electoral threshold	191	3.108	3.473	0.000	25.000
Post-communist	242	0.285	0.452	0	1
Post-Maastricht	242	0.653	0.477	0	1

COUNTRIES IN THE MATCHED DATASET

- Albania, 2002–2012
- Argentina, 1987–1998
- Australia, 1980–2012
- Austria, 1980–2012
- Belgium, 1981–2012
- Bolivia, 1990–2008
- Botswana, 1988–2008
- Brazil, 1986–2012
- Bulgaria, 1991–2012
- Canada, 1980–2012
- Chile, 2000–2012
- Colombia, 1980–2008
- Comoros, 2006–2007
- Costa Rica, 1983–2011
- Croatia, 2000–2012
- Cyprus, 1980–2012
- Czech Republic, 1993–2012
- Denmark, 1980 – 2012
- Dominican Republic, 1997–2012
- Ecuador, 1985–1999
- El Salvador, 1992–2011
- Estonia, 1999–2012
- Fiji, 1985–1986
- Finland, 1980–2012
- France, 1980–2012
- Germany, 1980–2012
- Ghana, 2008
- Greece, 1980–2012
- Guatemala, 2005–2006
- Hungary, 1990–2012
- India, 2003–2012
- Indonesia, 2005
- Ireland, 1980–2012
- Israel, 1980–2012
- Italy, 1980–2012
- Jamaica, 2005
- Japan, 1981–2012
- Republic of Korea, 1998–2012
- Latvia, 1994–2012
- Lebanon, 2010–2011
- Lesotho, 2010
- Lithuania, 1993–2012
- Luxembourg, 1980–2012
- Macedonia, 2002–2012
- Mauritius, 1987–2010
- Mexico, 2000–2012
- Moldova, 1993–2012
- Mongolia, 1993–1994, 2010
- Netherlands, 1980–2012
- New Zealand, 1980–2012
- Nicaragua, 1996–2005
- Norway, 1980–2012
- Pakistan, 1996
- Panama, 1997–2012
- Peru, 1982–3, 1990, 2003–2011
- Philippines, 1991, 1999
- Poland, 1991–2012
- Portugal, 1980–2012
- Romania, 1996–2012
- Slovakia, 1993–2012
- Solomon Islands, 2006
- South Africa, 1994–2011
- Spain, 1980–2012
- Sweden, 1980–2012
- Switzerland, 1980–2012
- Thailand, 2000–3
- Timor–Leste, 2008
- Trinidad and Tobago, 1980–2010
- Turkey, 1984–2012
- United Kingdom, 1980–2012
- Ukraine, 1994–2009
- United States, 1980–2012
- Uruguay, 1986–9, 1997–2012
- Venezuela, 1987–9